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SUBJECT: JUNE TRADE, INVESTMENT & AVIATION BRIEFS

SUMMARY

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[¶1.](#) This is an update on the following trade, investment and aviation news from Peru:

Trade

- Peru Pursuing Trade Negotiations in Asia
- Trade Agreement with China Moves Forward
- Bilateral Trade Between Peru and India Exceeds \$450 million
- Imports Reach Record Level in May
- Wal-Mart and Costco Voice Interest in Peruvian Products
- Exporta Facil Supports Peruvian Exports Not Only in Lima

Investment

- Yahoo, Peru Specific Portal
- Alicorp Buys Argentine Business

Aviation

- Airline Icaro de Ecuador Interested in Peru
- Aero Condor Fleet Shut Down

End Summary.

Peru Pursuing More Trade Negotiations in Asia

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[¶2.](#) Peru and South Korea agreed last September on preliminary themes in order to initiate negotiations on a trade agreement. Negotiations are anticipated to begin during the first trimester of [¶2009](#). Peru and Hong Kong have begun to explore the possibility of beginning negotiations on a free trade agreement. Japan is now considering placing Peru on its list of priority countries for negotiating trade agreements, having rejected the possibility of a trade agreement with Peru last year.

Trade Agreement with China Moves Forward

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[¶3.](#) Peru continues to move forward on its agreement with China. Sources in the trade ministry say the Chinese are increasingly open to expanding the scope of the agreement. The GOP has penciled in a possible signing at the APEC Leaders summit in November by both Presidents. Chinese Trade Minister Chen Deming assured the Peruvians that negotiations will move forward as quickly as possible so both countries will soon benefit from a trade agreement.

Peru-India Trade Exceeds \$450 Million

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[¶4.](#) Bilateral trade between Peru and India already exceeds \$450 million a year, and relations between the two nations are gaining increasing importance, the Indian Ambassador Apuni Armes told the

media. "In general (trade) has quadrupled in recent years and both Peru and India have been pursuing similar development models," he stressed. He indicated that there are many companies in India that have the ability and desire to establish relations with Peru, and Reliance Industries Limited (RIL) is one of the most interested. RIL is India's largest private sector enterprise.

#### Imports Reach Record Level in May

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15. Imports increased 67.3% compared with May 2007. This represents 52 consecutive months of increases in imports to Peru. Increased consumer demand and decreases of tariff rates by the Government of Peru fuel the demand for imported products. Raw materials and intermediary products lead the list of most popular imports for May, followed by capital goods and construction materials, and then consumer goods. Despite alarm bells by some economists, Peter Anders of the Lima Chamber of Commerce pointed out that the type of products being imported to Peru indicates that this is a result of increased investment in Peru. Continued investment in Peru brings a demand for imports such as machinery, raw materials, and production goods. Ultimately, he said, the result of these imports will be greater production for Peru which will help the trade imbalance.

#### Wal-Mart & Costco Interested in Peruvian Products

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16. Wal-Mart is planning a trade visit to Peru in August to discuss opportunities for purchasing fish products for its supermarkets. Costco has met with the Peruvian Embassy in Washington to discuss the purchase of fruit, vegetables, coffee, cacao, and fish products for sale in its stores.

#### Exporta Facil Spurs Exports Throughout Peru

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17. SUNAT (Customs Agency) announced that 90% of exports made by postal service occur via 'Exporta Facil.' In particular small and medium size businesses are using the program to increase international sales. Exports under this program which began in July 2007 have reached US\$500,000. Exporta Facil is a government initiative regulated by SUNAT, Ministry of Transportation and Communication, Ministry of Economy and Finance, Promperu, Serpost and other institutions. SUNAT noted that Exporta Facil is the preferred mechanism for businesses far from Lima to export their products. Besides Lima, exports are being realized from Arequipa, La Libertad, Lambayeque, Ancash, Puno, Amazonas, Ayacucho, and other regions under this program.

#### Yahoo: Peru Specific Portal

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18. On June 11, Jose River Front, the VP and General Manager of Yahoo Hispanoamerica, officially presented its Peru version Yahoo portal (<http://pe.yahoo.com>). The portal will provide local information to its users. Internet users will be able to search the web through traditional methods with more relevant local information appearing on the main page, instant messaging, question and answer page, news, and tools. Currently, Yahoo has local version portals in Argentina and Mexico. Future portals in Latin America include Colombia, Chile, and Venezuela.

#### Alicorp Expands, Buys Argentine Business

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19. Alicorp (Grupo Romero - Peruvian Company), Peru's biggest wheat importer and processed food manufacturer and distributor, announced the purchase of Argentine company The Value Brand Company (TVB). TVB is the third most important company in Argentina for personal and home care products. Alicorp purchased TVB for US\$65 million. Sales for TVB reach approximately \$100 million. TVB exports its products to Peru, Bolivia, Chile, Paraguay, and Uruguay. This purchase follows others made in the region by Alicorp. Last year, Alicorp purchased an Ecuadorian business, Eskimo. The General Manager for Alicorp acknowledged that the company is pursuing business in Central America as well, looking at projects in Honduras, El Salvador, and Guatemala.

#### Airline Icaro de Ecuador Interested in Peru

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¶10. The airline company Icaro de Ecuador has expressed interest in investing in Peru's domestic market. The airline operates small aircraft in Ecuador. Peruvian Trade & Tourism Minister Mercedes Araoz told the media that the entrance of foreign airlines into the domestic market is needed for improved competition and service to areas that are not being served by Peruvian airlines due to high fuel costs. Both Aero Condor and Star Peru airlines have announced suspension of air service to many routes due to high fuel costs.

#### Aero Condor Flights Shut Down

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¶11. Recently, Aero Condor (Peruvian airline) announced that the company would cease operation of its 737 fleet due to high fuel costs. The following day, the Ministry of Transportation and Communication (MTC) announced that Aero Condor had been told to cease operation of the fleet due to numerous incidents involving mechanical failures. LAN Peru announced on the same day as the MTC announcement, that the airline will begin routes previously served by Aero Condor's 737 fleet.

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